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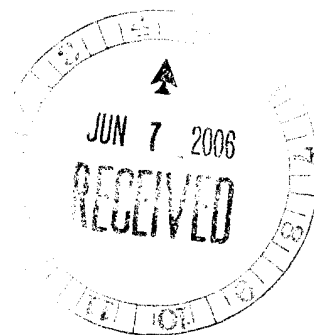
June 7, 2006

BY HAND DELIVERY

The Honorable Vernon A. Williams
Secretary
Surface Transportation Board
1925 K Street, N.W.
Washington, DC 20423

ENTERED
Office of Proceedings

Part of
Public Record



Re: Docket No. AB-55 (Sub-No. 664X), CSX Transportation, Inc. –
Abandonment Exemption – In Anderson County, SC

Dear Secretary Williams:

Enclosed for filing in the above-referenced proceeding are an original and 10 copies of the protest of Pickens Railway Company, filed pursuant to 49 CFR 1152.25.

No fee applies to this filing. STB Ex Parte No. 542 (Sub-No. 13).

Please acknowledge receipt of this filing by date-stamping the enclosed acknowledgment copy and returning it to our messenger.

Sincerely,

A handwritten signature in black ink, appearing to read "Troy W. Garriss".

Troy W. Garriss

Enclosures

**BEFORE THE
SURFACE TRANSPORTATION BOARD**

DOCKET NO. AB-55 (SUB-NO. 664X)

**CSX TRANSPORTATION, INC. – ABANDONMENT EXEMPTION – IN
ANDERSON COUNTY, SC**

**PICKENS RAILWAY COMPANY'S
REPLY TO PETITION FOR EXEMPTION**

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Pickens Railway Company ("Pickens") hereby requests that the Surface Transportation Board ("Board") deny the petition for exemption ("Petition") filed by CSX Transportation, Inc. ("Petitioner" or "CSXT") in this matter.

Petitioner seeks to abandon that 12.74-mile rail line extending between milepost AKL 26.26, near Belton, and milepost AKL 39.00, near Pelzer, in Anderson County, SC ("Subject Line"). Petitioner has petitioned the Board to exempt the abandonment from the prior approval requirements of 49 U.S.C. § 10903. Pickens is the owner and operator of the short line railroad that connects to the Subject Line on one end with Petitioner, and on the other end with Norfolk Southern Railway ("NS"). (A map of Pickens' line is attached hereto as Addendum 1).¹ Twelve active rail shippers are located on Pickens' line, ten of which currently move traffic via CSXT over the Subject Line.²

¹ For purposes of this opposition, references to "Pickens' line" shall refer only to that portion of the line that extends from the connection with Petitioner at Belton, SC to the connection with NS at Anderson, SC.

² Verified Statement of Donald E. Sims, General Manager of Pickens ("Sims V.S.") at 1, attached hereto as Addendum 2. The two other shippers on Pickens' line currently move traffic via NS.

Pickens requests that the Surface Transportation Board ("Board") deny CSXT's petition because: (i) the Subject Line currently handles the traffic of twelve active shippers (two located on the Subject Line and ten on Pickens' line), which Petitioner notes together accounted for 976 cars of traffic in 2005, and are on target to account for well over 1,000 cars in 2006,³ (ii) abandonment would harm competition, resulting in a reduction in rail options that would provide the remaining class I carrier with leverage to increase the rates for traffic originating and/or terminating on Pickens' line, (iii) the Subject Line is profitable, and (iv) a significant amount of the information submitted by Petitioner in support of the petition is substantively inaccurate or incomplete, failing to satisfy Petitioner's burden of proof.

Fatally Flawed Petition.

On April 28, 2006, Petitioner filed its petition with the Board seeking exemption from the prior approval requirements of 49 U.S.C. § 10903. Under that provision, a carrier may not abandon any part of its rail line, unless the Board finds that the present or future public convenience and necessity require or permit the abandonment.⁴ The Board is required under 49 U.S.C. § 10502 to exempt an abandonment from these prior approval requirements, only if the Board finds that (i) continued regulation is not necessary to carry out the rail transportation policy of 49 U.S.C. § 10101, and (ii) either (a) the transaction is of limited scope, or (b) regulation is unnecessary to protect shippers from the abuse of market power. The carrier seeking exemption carries the burden of proof. For the reasons set forth below, Petitioner does not meet this burden.

1. The Abandonment Will Adversely Affect Competition.

³ Petition, Vol. II at 3.

⁴ 49 U.S.C. § 10903(d)

a. Traffic Levels Are Already Significant and Increasing.

Petitioner characterizes the Subject Line as having low volume and a continuing pattern of declining traffic.⁵ The assertion is incorrect. Petitioner focuses attention solely on the number of cars originated by the two “local” shippers, stating that there were only 87 carloads in 2005. This number cannot be considered in isolation. In fact, there were ten more shippers served by the Subject Line.⁶ These ten shippers originated or terminated an additional 976 cars that were handed off to the Petitioner and moved over the Subject Line in that same time period.⁷ Further, this number has increased substantially for 2006, rising to approximately 1,068, on an annualized basis. There were also 2,574 cars moving over Pickens’ line in 2005 being handed off to NS, and approximately 2,374 annualized for 2006.⁸ A measurable amount of the cars moving over NS could, if Petitioner sought the traffic, move on CSXT over the Subject Line. In fact, comparing traffic volume over Pickens’ line for the years 2005 and 2006 (the latter annualized) shows that the total number of cars handled by NS declined, while the total number of cars handled by CSXT increased.

b. Reduction in Rail Options.

The proposed abandonment will eliminate the connection between Pickens and CSXT, resulting in a reduction in rail options for shippers.⁹ As noted above, there are twelve active rail shippers located on Pickens’ line, ten of which have tendered or received cars within the past 12 months via the Subject Line. Today, Pickens connects with two class I carriers, CSXT and NS. These two carriers directly compete for certain

⁵ Petition at 4, 5.

⁶ Sims V.S. at 1-2.

⁷ Petition, Vol. II at 3.

⁸ Sims V.S. at 2.

⁹ Sims V.S. at 3.

traffic moving over Pickens' line, and the two class I carriers themselves directly market the traffic on the line. While Petitioner characterizes this traffic as "overhead," Pickens is a junction settlement carrier for CSXT. Petitioner, not Pickens, establishes and publishes the rates for the traffic on Pickens' line that moves over the Subject Line. Shippers pay Petitioner directly, and Petitioner then forwards a portion of the payment to Pickens. In other words, the ten shippers located on Pickens' line that currently move traffic over the Subject Line are effectively "local" to Petitioner.

If the Subject Line is abandoned, these shippers will have one rail option, NS. Accordingly, the abandonment would create market power in NS where today there is adequate competition. As noted by the D.C. Circuit, strong statutory and Board policy favors preservation of rail-to-rail competition and the provisions of adequate service for shippers.¹⁰ Shippers may not be deprived of available options absent a very strong showing of public interest.¹¹ Here, Petitioner has failed to satisfy this standard.

Petitioner also makes the unsupported assertion that the traffic originating on Pickens' line "can be rerouted."¹² Petitioner appears to mean that traffic originating on Pickens' line, which is currently interchanged with CSXT on the Subject Line, can instead be interchanged with NS. This is a big assumption on Petitioner's part. Any traffic originating on Pickens' line bound for a location along CSXT's other lines, or along a short line connected to one of CSXT's lines, will necessarily have to first travel via NS. The insertion of an additional carrier into the route will virtually guarantee a

¹⁰ New York Cross Harbor R.R. v. STB, 374 F.3d 1177, 1187 (D.C. Circuit 2004).

¹¹ Id.

¹² Petition at 4.

significant increase in the rate¹³ (along with a longer route and longer delivery times). This is especially true where the additional carrier (in this case, NS) will no longer have direct rail competition for a portion of the move (in this case, the traffic moving to and from Pickens' line).

Petitioners' assertion that the traffic can be rerouted raises other issues as well, such as whether the relevant NS lines have the capacity to accept the additional traffic, in light of system capacity constraints. Under such circumstances it cannot be simply assumed that the Pickens traffic currently moving via Petitioner is reroutable, and Petitioner does not provide any rationale to support such an assumption. Based on discussions with the customers located on its line, Pickens estimates that approximately 20 percent or more of the traffic originating or terminating on Pickens' line will cease to move if the Subject Line is abandoned. Petitioner also fails to provide information necessary to analyze the effect that elimination of rail-to-rail competition would have on rail service.

Petitioner also asserts, without providing sufficient support, that its two "local" shippers will have alternate transportation available if the Subject Line is abandoned, even if they lose direct rail service.¹⁴ Petitioner's statement is based on its theory that the shippers can load all shipments into trucks, which then will transport the shipments for the 30-mile highway trip to Greenville to Petitioner's transload facility.¹⁵ (It is ironic that the 18-mile rail trip between Greenville and Belton is viewed as particularly onerous

¹³ Owens Corning, the largest shipper located on Pickens' line, has advised Pickens that the abandonment of the Subject Line will result in increased rail transportation costs of more than \$1,000 per car.

¹⁴ Sims V.S. at 3.

¹⁵ Although Petitioner also notes that a transload facility at Spartanburg, SC is available, it provide no information as to the distance of this transload facility.

when Petitioner has to make the trip, but the 30-mile highway trip to the transload facility is viewed as an easy alternative when the shippers must make the trip as a multi-mode move.) Although Petitioner admits that “the transloading service may be more expensive than direct rail service,” it does not provide any evidence as to the magnitude of the increased cost, in order to enable the Board to weigh the increased cost to the shipper against any increased cost to the Petitioner in continuing to provide rail service.

Petitioner also states that these two shippers can use motor carrier transportation.¹⁶ Petitioner notes that there are a number of highways in the area, but fails to address whether such trucking companies provide a viable option from an economic or operational standpoint. Moreover, the Petitioner does not even address non-rail transportation alternatives for the traffic of the other ten shippers located on Pickens’ line. Pickens has already been advised that at least some of these shippers have physical plant and operational constraints that limit the number of trucks that could be used to transport shipments. Petitioner has failed to sustain its burden of proof in this regard. *See, e.g., Cross Harbor*, 374 F.3d at 1187 (alternative, less convenient, more expensive service not sufficient).

2. The Subject Line is Profitable.

Typically, in abandonment cases, the carrier seeks to establish that the line is appropriate for abandonment because its operation is unprofitable.¹⁷ Here, Petitioner claims that – taking into account local traffic only – CSXT sustains an annual loss of \$118,000 on the Subject Line. Petitioner’s focus on local traffic is misplaced. The great

¹⁶ Sims V.S. at 3.

¹⁷ *See, e.g., The Burlington Northern and Santa Fe Railway Company – Abandonment of Chicago Area Trackage in Cook County, IL*, STB Docket No. AB-6 (Sub-No. 382X) (served Sept. 21, 1999) (“Cook County”) (exemption is normally appropriate in a contested abandonment only if the revenue from the traffic is “clearly marginal compared to the cost of operating the lines”).

majority of traffic handled on the Subject Line is what Petitioner refers to as “overhead.” Petitioner acknowledges that, if it includes overhead traffic in the calculations, the Subject Line enjoys revenue gains of approximately \$125,000 in the Base Year, \$150,000 in the Forecast Year, and \$150,000 in the Subsidy Year.¹⁸

In addition, Petitioner’s projections regarding the revenue gains appear to be understated, and based on inconsistent supporting data. For instance, Petitioner attaches the Verified Statement of Ellen Preslar to support its assertions that the above projections are accurate. Ms. Preslar, however, bases her calculations for the Forecast and Subsidy Years on 992 cars of traffic per year.¹⁹ However, Ms. Preslar also attaches a chart labeled “Traffic History” indicating that there were 267 cars of traffic on Pickens’ line in the first quarter of 2006. On an annualized basis, these 267 cars would amount to 1,068 cars over the course of 2006. Accordingly, it is not clear why Ms. Preslar assumes 76 cars less when performing her calculations.²⁰

3. The Rehabilitation Numbers Are Overstated.

Even though the Subject Line is revenue positive, Petitioner claims continued operation will require \$900,000 in rehabilitation costs to restore the Subject Line to FRA class 1 condition.²¹ Petitioner bases this assertion on the Verified Statement of its

¹⁸ Petition at 6.

¹⁹ Petition, Vol. II at 3.

²⁰ Petitioner correctly notes that despite negotiations with Pickens, the parties were unable to agree on terms for the lease or sale of the Subject Line. However, Petitioner then implies that simply because the parties were unable to come to terms on such an agreement the Subject Line must be unprofitable. This is an untenable leap. The fact that the parties were unable to structure a deal that was acceptable to Pickens has no bearing on whether the long-haul traffic handled by CSXT over the Subject Line is profitable to CSXT. Pickens also notes that Petitioner includes property taxes of approximately \$78,000 in its calculation of avoidable costs based on its assertion that the taxes were a “deal breaker” item in the lease negotiations. Petition Vol. II at 12. Reliance on the lease negotiations as a rationale for including property taxes in the calculation of avoidable costs is unclear and unexplained.

²¹ Petition at 3.

Roadmaster with supervision over the area ("Roadmaster").²² Significant doubts arise from this evidence, and its support for Petitioner's assertions.

First, the Roadmaster states that restoring the Subject Line to FRA class 1 condition will require installing approximately 800-1000 new rail ties per mile for each mile of track along the Subject Line, replacing a substantial amount of ballast, and resurfacing the track.²³ However, the Petitioner acknowledges that FRA class 1 condition would require only about 680 ties per mile.²⁴ Thus, Petitioner has inflated the number of ties necessary to satisfy FRA class I condition by 120 to 320 ties per mile (which results in an unnecessary addition of 1,529 to 4,077 ties over the entire Subject Line). Thus, using Petitioner's number of \$60 per tie, Petitioner has overestimated its cost of ties by \$91,728 to \$244,620. In addition, Petitioner appears to assume that all of the ties necessary to meet FRA class 1 condition would need to be replaced. However, the Petitioner never asserts this to be the case, and certainly does not submit any evidence to support this assumption.

Furthermore, documentary information received from Petitioner wholly undermines its assertions regarding the condition of the Subject Line. Petitioner has forwarded Pickens copies of 48 Track Inspection Reports ("Inspection Reports") (attached hereto as Addendum 3).²⁵ These Inspection Reports show the results of inspections of Petitioner's rail line within the jurisdiction of the Roadmaster's

²² Petition, Exhibit F.

²³ Petition, Ex. F, at 71-74.

²⁴ Although the Roadmaster attempts to justify the inflated tie costs by stating that the increased number of ties will "avoid the need to go back over the line and reinsert or adjust any time that ties have moved or been displaced in the surfacing process," he does not provide any information as to the number of ties likely to be so moved or displaced or the cost likely to be incurred for any such reinsertion or adjustment.

²⁵ Petitioner did not provide the Inspection Reports, or similar documentation, in support of its statements regarding the need for rehabilitation. Having received the documents in the context of a potential offer of financial assistance, the documents are provided here for the Board's reference.

supervision, including the Subject Line.²⁶ The Inspection Reports were prepared by CSXT employees, approximately weekly, during the period from May 2005 to March 2006. They contradict many of the assertions made by the Petitioner in this proceeding.

For example, Petitioner states that the Roadmaster is very familiar with the Subject Line, "since he inspects it on a regular basis."²⁷ As it turns out, it is the rare occasion when the Roadmaster personally inspects the Subject Line. Out of the 48 Inspection Reports provided, the Roadmaster was the actual inspector only four times.²⁸ The Roadmaster did sign each Inspection Report as the supervising Roadmaster, but this signing was often done several weeks after the inspection, and frequently batches of Inspection Reports were signed on the same day.

Moreover, only two of the 48 Inspection Reports indicate any problem with rail ties on the Subject Line.²⁹ Only one of the 48 Inspection Reports indicates a problem with surfacing.³⁰ (Both ties and surfacing are express items of inspection on the forms.) In each instance, the Inspection Reports state that the problem with the tie and surfacing was promptly "corrected." Interestingly, perusal of the Inspection Reports indicates that the Subject Line compares quite favorably to the other parts of Petitioner's line covered by the Inspection Reports. The lack of any indication in the Inspection Reports that there are problems with ties, ballast and surfacing raises serious doubts about the Petitioner's assertions here that the Subject Line needs 800 to 1000 ties per mile, resurfacing and ballast replacement. Pickens' General Manager, Mr. Sims, confirms in his Verified

²⁶ It appears that the inspection occurring on December 21 and 27, 2005, did not cover the entire Subject Line.

²⁷ Petition at 7.

²⁸ See Inspection Reports dated June 8, July 5, September 6 and December 21, 2005.

²⁹ See Inspection Reports dated May 3 and July 27, 2005.

³⁰ See Inspection Report dated July 27, 2005.

Statement that the Subject Line would need far fewer than 680 ties per mile.³¹

Accordingly, it appears these costs have been substantially overstated.

Second, Petitioner asserts that there are 28 road crossings on the Subject Line that must be renewed at a cost of \$4,500 each. Road crossings are not addressed in FRA track standards, and should not be calculated into the cost of upgrading the Subject Line to class 1 standards. In any event, Mr. Sims has personally inspected the 28 crossings on the Subject Line and estimates that only seven would need reworking.³² Even using Petitioner's asserted cost per crossing, the total outlay would therefore be \$31,500 rather than Petitioner's asserted \$126,000.

Similarly, based on Mr. Sim's inspection of the line, little or no ballast is needed and resurfacing is unnecessary.³³ Petitioner provides no explanation to support its inclusion of such costs as part of the rehabilitation estimate. Thus, Petitioner's numbers are, again, substantially inflated.

Third, Petitioner states that despite the line's profitability when overhead traffic is considered, Petitioner should be allowed to abandon the line rather than invest in the line's rehabilitation, because it has "no guarantee that Pickens would not reroute its traffic over NS or that Metals and Industries would continue to route traffic over the Line." There are currently twelve active shippers moving traffic over the Subject Line, which, in the aggregate, accounted for a little less than 1,000 carloads of traffic in 2005. As noted above, the traffic moving over the Subject Line is on target to measurably increase in 2006. Moreover, discussions between Pickens and some of the shippers

³¹ Sims V.S. at 4.

³² Id.

³³ Id.

suggest that a significant amount of this traffic cannot reasonably move over NS. CSXT has offered no reason to believe that this traffic is in danger of being rerouted.

4. Petitioner Overstates Labor Costs.

Petitioner asserts that the Subject Line cannot be operated efficiently because of its "poor condition."³⁴ Petitioner's Trainmaster states that the speed limit on the Subject Line is restricted to 10 mph, because the Subject Line is in excepted track condition. (Pickens notes, this is the same speed as for FRA class 1 track.)³⁵ The Trainmaster also states that "[d]ue to this speed restriction, the travel time to Belton from Greenville, SC averages over 5 to 6 hours."

Pickens notes, it is 12.74 miles over the total Subject Line, from Belton to Pelzer. At 10 mph, the speed limit would therefore result in a trip of about an hour and fifteen minutes. It is approximately 18 miles from the beginning of the Subject Line at Pelzer to Greenville. The track speed on this portion of CSXT's line is 25 m.p.h. Accordingly, the speed limit for this segment would result in a trip of approximately 45 minutes. Accordingly, it is unclear why the speed restrictions on the Subject Line would result in a one-way trip from Greenville to Belton of over 5 to 6 hours. Naturally, time would be needed to throw switches and perform brake tests, but this would be true on track of any speed. Accordingly, Petitioner's calculations regarding the labor cost also appear to have been inflated.

5. Petitioner Has Inflated the Net Liquidation Value.

Petitioner asserts a net liquidation value for the Subject Line of \$598,583, which consists of \$385,145 allocated to net track salvage value and \$213,438 allocated to parcel

³⁴ Petition at 8.
³⁵ 49 C.F.R. § 213.9.

held in fee by Petitioner. Petitioner fails, however, to justify this figure. Petitioner has not provided any evidence in its Petition to support its assertion of fee title to any of the real property comprising the Subject Line. Although Petitioner provided Pickens with a copy of an Appraisal in connection with Pickens' request for such information as a potential offeror of financial assistance, the appraiser expressly *assumes* that "[t]he title to the subject property is merchantable and the property is free and clear of all liens and encumbrances, except as noted." See Appraisal, at 4, ¶ 1, Statement of Assumptions attached hereto as Addendum 4.

In addition, the Appraisal contains maps of the parcel for which Petitioner is claiming fee title. See Addenda to Appraisal, Sketches of Fee Parcels Taken from CSX Plans, attached hereto as Addendum 5. Based on these maps, a substantial portion of the parcels appears to be extra-width parcels, rather than part of the right of way used and required for the provision of common carrier freight service. Thus, these parcels should not be included in Petitioner's net liquidation value calculation, and Petitioner's calculations for the net liquidation value are inflated. See 49 C.F.R. § 1152.34(c)(1)(iii).

6. Petitioners Are Misusing the Board's Regulations.

The Board has long held that the exemption process is generally appropriate only where the abandonment is unopposed and revenue from the traffic is clearly marginal compared to the cost of continuing to operate the line.³⁶ Here, Petitioner knew that there was at least a significant likelihood that the petition would be opposed. The traffic of at least twelve shippers and one short line carrier are directly impacted by the proposed

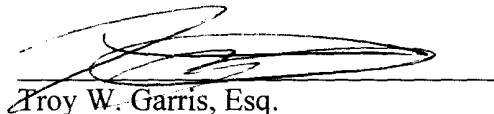
³⁶ See, e.g., The Burlington Northern and Santa Fe Railway Company – Abandonment of Chicago Area Trackage in Cook County, IL, STB Docket No. AB-6 (Sub-No. 382X) (served Sept. 21, 1999) (and cases there cited).

abandonment. The Subject Line is the only direct connection to CSXT for the short line, and well over 1,000 cars are expected to be handled over the Subject Line this year.

Petitioner apparently anticipated this abandonment would be contested, and therefore, requested in advance the ability to reply to any response that might be filed, even though such a reply is prohibited by the Board's regulations. If Petitioner wanted the right to file a reply, it should have filed an application rather than a petition. The Petitioner should not be permitted to circumvent the Board's rules in this manner.³⁷ In the event the Board does permit Petitioner to file a responsive pleading, Pickens hereby similarly requests the right to reply to any new factual evidence or legal arguments introduced or asserted by Petitioner.

Conclusion

For these reasons, Pickens requests that the petition in this matter be denied.



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Attorney for Pickens Railway Company

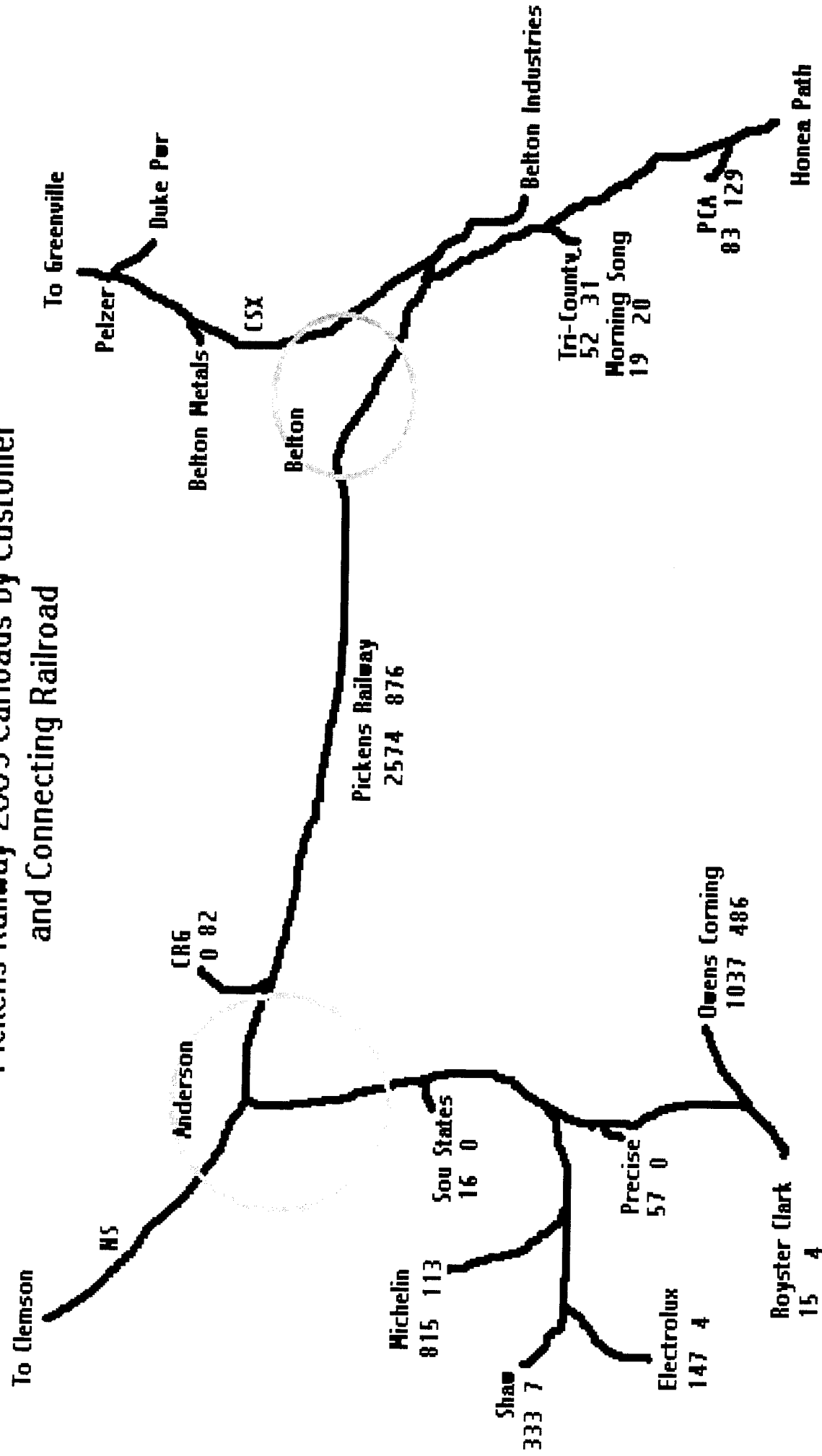
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³⁷ By filing a petition instead of an application, Petitioner has also avoided the Board's application filing fee of \$18,700, paying only \$5,300 in this petition proceeding.

ADDENDUM 1

MAP OF PICKENS' LINE

Pickens Railway 2005 Carloads by Customer and Connecting Railroad



Numbers on left - NS

Numbers on right - CSXT

ADDENDUM 2

**VERIFIED STATEMENT OF
DONALD E. SIMS**

VERIFIED STATEMENT

OF

DONALD E. SIMS

1. My name is Donald E. Sims. I am the General Manager of the Pickens Railway Company ("Pickens"), based at 198 North Main Street, Cornelia, Georgia 30531. My office is located at 415 East Cedar Rock Street, Pickens, South Carolina. I have held this position since 1991, and have been involved in the railroad industry in various operating positions since 1977.
2. I have been asked to summarize the facts surrounding the proposed abandonment by CSX Transportation, Inc. ("CSXT") of its 12.74-mile rail line extending between milepost AKL 26.26, near Belton, and milepost AKL 39.00, near Pelzer, in Anderson County, SC ("Subject Line") (*see* map attached hereto as Attachment A).
3. CSXT seeks to abandon the Subject Line and has petitioned the Board to exempt the abandonment from the prior approval requirements of 49 U.S.C. § 10903.
4. Pickens is the owner and operator of the short line railroad ("Pickens' line") that connects to the Subject Line on one end with CSXT, and on the other end with Norfolk Southern Railway ("NS"). (A map of Pickens' line is attached hereto as Attachment B).
5. Twelve active rail shippers are located on Pickens' line, ten of which currently move traffic via CSXT over the Subject Line.
6. CSXT characterizes the Subject Line as having low volume and a continuing pattern of declining traffic. The assertion is incorrect. CSXT focuses attention only on the traffic of its two "local" shippers, stating that there were only 87 carloads in 2005. However, at least

ten shippers located on Pickens' line are also currently served by the Subject Line. These ten shippers moved an additional approximately 976 cars over the Subject Line in 2005. In addition, this number has increased for 2006, rising to approximately 1,068, on an annualized basis.

7. There were also approximately 2,574 cars moving over Pickens' line in 2005 being handed off to NS, approximately 2,374 annualized for 2006. A measurable portion of the traffic moving over NS could, if CSXT sought the traffic, move on CSXT over the Subject Line. Traffic volume over Pickens' line for the years 2005 and 2006 (annualized) shows that the total number of cars handled by NS declined, while the total number of cars handled by CSXT increased.

8. The proposed abandonment will eliminate the connection between Pickens and CSXT. Shippers that enjoy service from two class I carriers today, will have service from only one class I carrier after the abandonment.

9. The two class I carriers currently directly compete for certain traffic moving over Pickens' line, directly marketing the traffic on the line. CSXT characterizes the Pickens' line traffic as "overhead," but Pickens is a junction settlement carrier. CSXT, not Pickens, actually establishes and publishes the rates for this traffic. Shippers pay CSXT, and CSXT forwards a portion of the payment to Pickens. Thus, the ten shippers on Pickens' line are effectively "local" to CSXT for these purposes. If the Subject Line is abandoned, these shippers will have lost one of their primary rail options.

11. CSXT states that the Pickens' line traffic can be rerouted over NS. This is a big assumption. If the Subject Line is abandoned, traffic moving to or from a point on CSXT (or one of its shortline connections) would change from a Pickens-CSXT move to a Pickens-NS-CSXT move. Adding another class I carrier to the move will almost guarantee increased rates, longer routes, and delayed delivery times.
12. Also, in my experience, loss of direct competition by a competing carrier in an area often results in the remaining carrier raising its rates. If CSXT abandons the Subject Line, the shippers on the Pickens' line are likely to see rates increase.
13. Discussions with our customers indicate that a significant portion of their traffic will no longer move by rail, and quite possibly not at all, if the direct connection to CSXT is lost.
14. Internally, our initial estimates show that 20 percent or more of the traffic on our line will cease to move if the Subject Line is abandoned.
15. CSXT also states that its "local" shippers can transload shipments or move them by truck. Pickens has been advised by a number of shippers on the Pickens' line that they have physical plant and operational constraints that limit the number of trucks that could be used to transport shipments. For these shippers, trucks are not realistic options for major segments of their traffic.
16. CSXT also discusses rehabilitating the Subject Line to FRA class 1 condition, and attached certain information regarding the costs of such upgrading. These costs appear to be overstated.

17. CSXT states that the rehabilitation would require installation of approximately 800-1000 new rail ties per mile for each mile of track along the Subject Line, replacement of a substantial amount of ballast, and resurfacing of the track. The FRA requires only about 680 non-defective ties per mile for FRA class 1 track. In January 2006, I personally inspected the Subject Line in connection with a possible acquisition. The Subject Line was in relatively good condition, and would need far fewer than 680 ties per mile replaced.

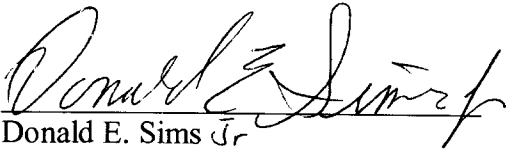
18. Similarly, there would be little or no ballast needed, and resurfacing is unwarranted.

19. CSXT also has stated that 28 road crossings on the Subject Line must be renewed. Road crossings are not addressed in FRA track standards. However, I recently inspected the 28 crossings on the Subject Line. Only about seven need reworking.

VERIFICATION

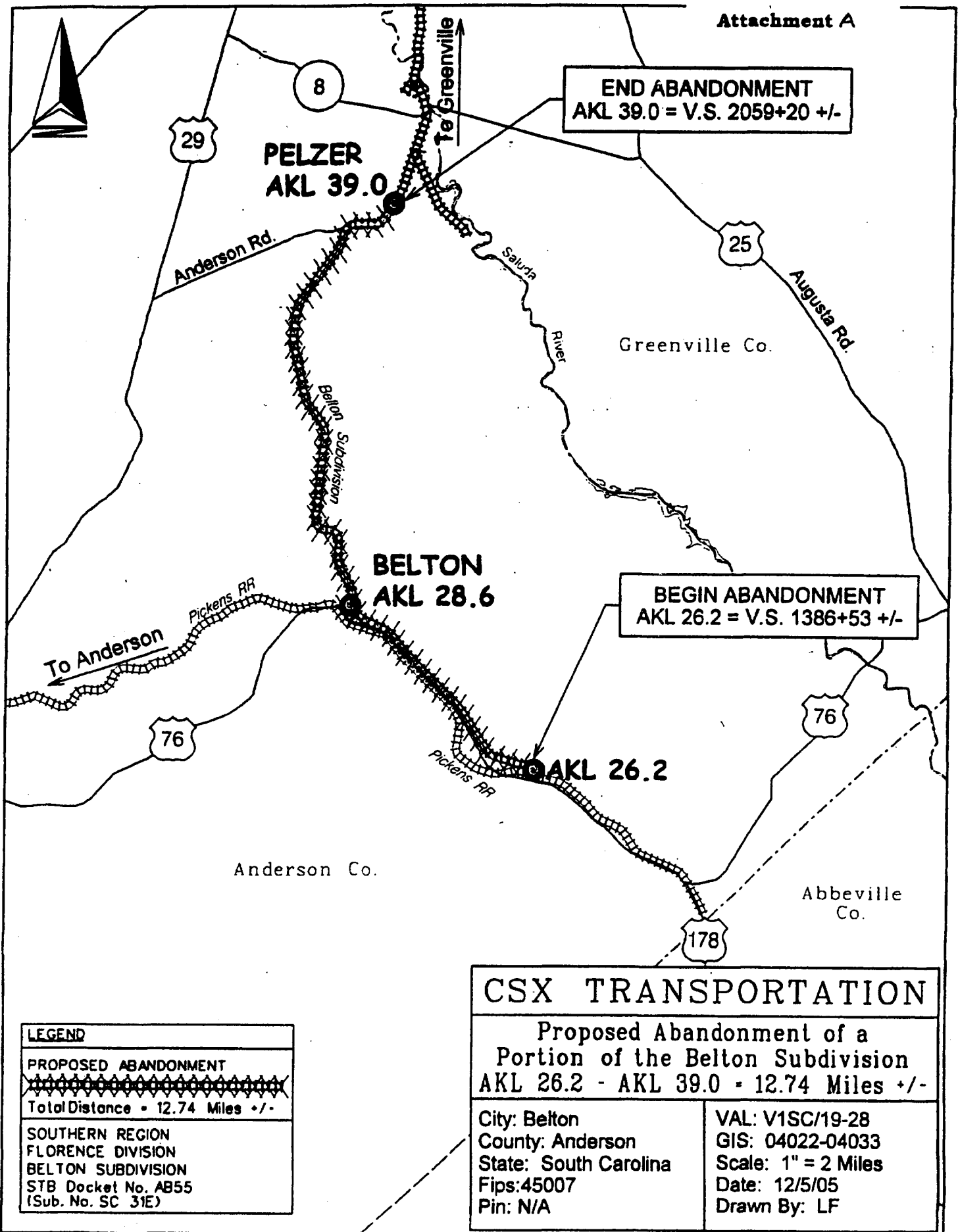
I, Donald E. Sims, hereby affirm and state that I have read the foregoing statement, that I am personally familiar with its contents, that I have executed it with full authority to do so, and that the statements set forth therein are true and correct to the best of my knowledge, information, and belief.

Executed by the undersigned on this 7th day of June 2006.


Donald E. Sims Jr

ATTACHMENT A

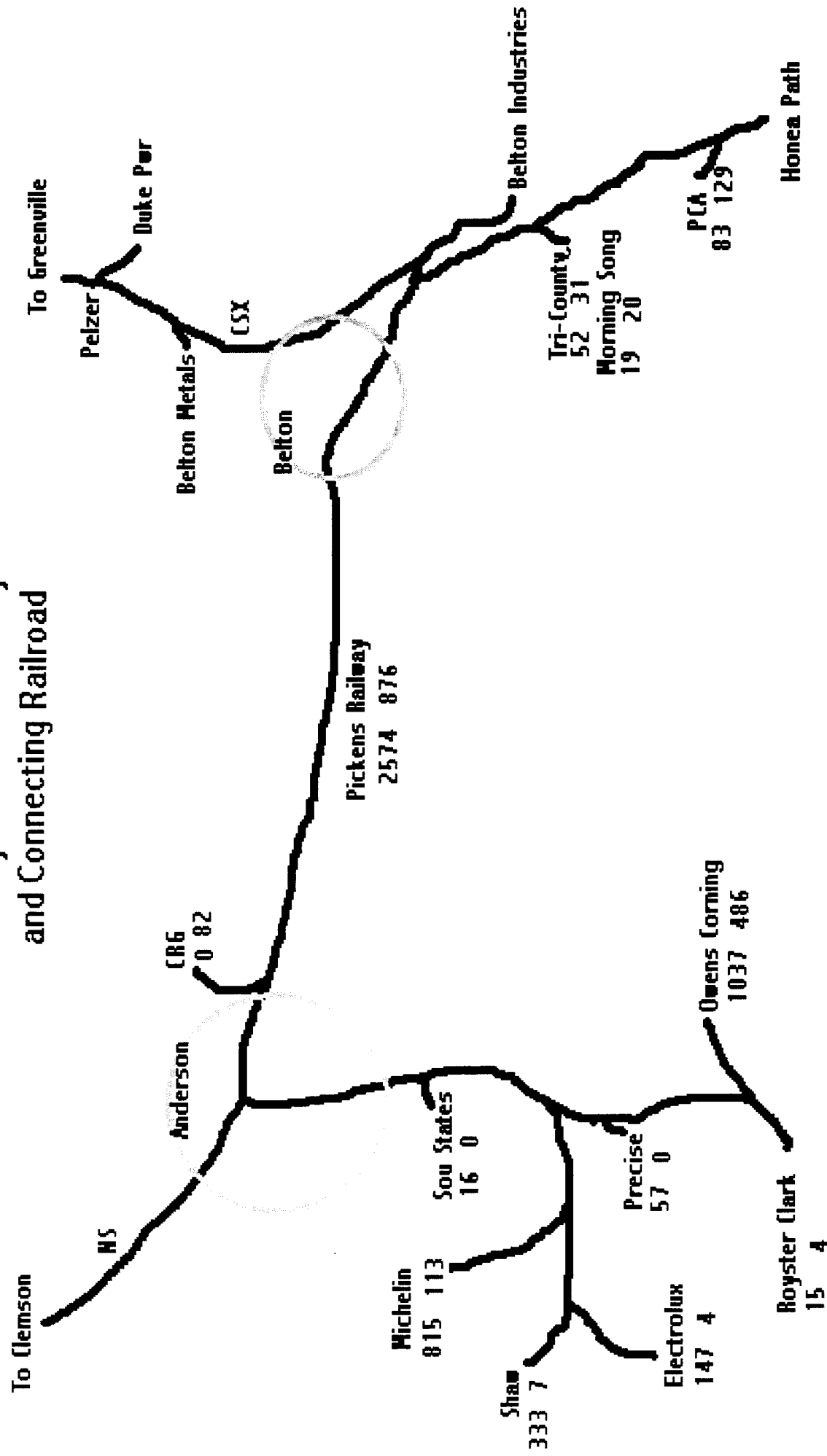
CSXT MAP OF SUBJECT LINE



ATTACHMENT B

MAP OF PICKENS' LINE

Pickens Railway 2005 Carloads by Customer and Connecting Railroad



Numbers on left - NS
Numbers on right - CSXT

ADDENDUM 3

CSXT INSPECTION REPORTS

REGION OFFICE COPY

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REGION		FLORENCE		CSX TRANSPORTATION ENGINEERING DEPARTMENT										FORM N-474 RE		DATE		MO		DAY		YEAR	
R & L NUMBER		N-33		DAILY TRACK INSPECTION REPORT										REV 8/2002		09		30		05			
R&L TYPE		SUBDIVISION		LINE NO		MILEPOST INSPECTED		TEMP		REMARKS		TRACK TRAVERSED		PAGE		1		OF		1			
R&L SPEC				FROM		TO		FROM		TO		FROM		TO		FROM		TO		FROM			
✓		Belfon	AKL	FROM	26.2	TO	52.0	FROM	71.0	TO	ML	FROM	ML	TO	ML	FROM	ML	TO	ML	FROM	ML		
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**CSX TRANSPORTATION ENGINEERING DEPARTMENT
DAILY TRACK INSPECTION REPORT**

DAILY TRACK INSPECTION REPORT

FORM N-774 RE
REV 9/3/02

	MO	DAY	YEAR
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ADDENDUM 4

CSXT APPRAISAL ASSUMPTIONS

STATEMENT OF ASSUMPTIONS AND LIMITING CONDITIONS

The certification of the Appraiser appearing in the appraisal report is subject to the following conditions and to such other specific and limiting conditions as are set forth by the Appraiser in the report.

1. The title to the subject property is merchantable and the property is free and clear of all liens and encumbrances, except as noted.
2. No liability is assumed for matters legal in nature.
3. Ownership and management are assumed to be in competent and responsible hands.
4. The appraiser cannot guarantee that the property is free of encroachments or easements, and recommends further investigation and survey. Note that no engineering survey has been made of the subject property. Dimensions and areas of this rail corridor were supplied by CSX Real Property and are assumed to be correct. Any sketch in the report may show approximate dimensions and is included to assist the reader in visualizing the property.
5. The appraiser's conclusion of value is based upon the assumption that there are no hidden or unapparent conditions of the property that might impact upon build ability. The Appraiser recommends due diligence be conducted through the local building department or municipality to investigate build ability and whether property is suitable for intended use. Appraiser makes no representations, guarantees or warranties.
6. The appraisal was prepared for the purpose so stated and should not be used for any other purpose.
7. All direct and indirect information supplied by the owners and their representatives concerning the subject property is assumed to be true and accurate. In this report I relied on corridor sales data that was obtained from Charles W. Rex, III, MAI of RMI Midwest in Wilmette, IL; I assume this data to be true and accurate.
8. No responsibility is assumed for information supplied by others and believed to be reliable and correct.
9. The signatory will not be required to give testimony or attend court or be at any governmental hearing with references to the said property unless prior arrangements have been made with the client.
10. Disclosure of the contents of this appraisal report is governed by the By-Laws and Regulations of the Appraisal Institute.
11. Neither all nor any part of the contents of this report -- especially any conclusions as to value, the identity of the appraiser, or the firm with which he is connected -- will be disseminated to the public through advertising media, news media, sales media, or any other public means of communication without the prior written consent and approval of the appraiser.
12. It is expressly understood that the scope of our study and reports thereon does not include the possible impact of zoning or environmental regulations, licensing requirements, or other such restrictions concerning the property except where such matters have been brought to our attention and are disclosed in the report.

13. It is assumed that there are no hidden or unapparent conditions of the property, subsoil, or structures that render it more or less valuable. No responsibility is assumed for such conditions or for arranging for engineering studies that may be required to discover them. Unless otherwise stated in this report, the existence of hazardous material, which may or may not be present on the property, was not observed by the appraiser. The appraiser has no knowledge of the existence of such materials on the property. The appraiser, however, is not qualified to detect such substances. The value estimate is predicated on the assumption that there is no such material on the property that would cause a loss in value. No responsibility is assumed for any such conditions, or for any expertise or engineering knowledge required to discover them. The client is urged to retain an expert in this field, if desired.
14. The legal description is assumed to be correct. No responsibility is assumed for the legal description or matters involving legal or title considerations. The property is appraised as though free and clear of all encumbrances and under responsible ownership.
15. The appraisal assumes that all necessary governmental permits and approvals have been or will be obtained.
16. Acceptance of, and/or use of, this appraisal report by the client or any third party constitutes acceptance of the above conditions. The appraiser's liability extends only to the stated client and not to subsequent parties or users and is limited to the fee received.
17. Any drafts or preliminary information communicated to you during the course of the assignment is for your internal management use only, and may not be disclosed to any outside third parties without our prior written consent.
18. We do not authorize the out-of-context quoting from or partial reprinting of this appraisal. Neither all nor any part of this appraisal report will be disseminated to the general public by the use of media for public communication without the prior written consent of the undersigned. No part of this report or any of the conclusions may be included in any offering statements, memorandum, prospectus, or registration without the prior written consent of Wilkins Norwood Appraisal Associates, Inc.
19. This appraisal should not be considered a report on the physical items that are a part of this property. Although the appraisal may contain information about the physical items being appraised (including their adequacy and condition), it should be clearly understood that this information is to be used only as a general guide for property valuation and not as a complete or detailed physical report. I do not claim professional expertise in the construction, engineering, or legal fields, and any opinions given on these matters should be considered preliminary in nature.
20. The observed condition of the foundation, roof, exterior walls, interior walls, floors, heating system, plumbing, insulation, electrical, and all mechanicals and construction is based on a casual inspection only, if possible, and no detailed inspection was made. For instance, I claim no expertise in heating systems, and no attempt was made to inspect the interior of the furnace. The structures were not checked for building code violations, and it is assumed that all structures met the building code, unless so stated in this report.
21. Any allocation of total value between land and building, or any other fractional part or interest, as shown in the report, is invalidated if used separately or in conjunction with any other appraisal.

22. The income and expense projections in this report are not necessarily intended to represent results that will actually be achieved. They are intended to simulate the actions of a knowledgeable purchaser based on current market conditions and investment criteria.
23. The Americans with Disabilities Act ("ADA") became effective January 26, 1992. We have not made a specific compliance survey and analysis of this property to determine whether or not it is in conformance with the various detailed requirements of the ADA. It is possible that a compliance survey of the property, together with a detailed analysis of the requirements of the ADA, could reveal that steps need to be taken in order to comply with the rule. If so, the cost to comply with the Act could have a negative effect upon the value of the property. Since we had no direct evidence relating to the issue, we did not consider possible noncompliance with the requirements of ADA in estimating the value of the property.
24. Appraised values can differ significantly from actual sale prices, and sale prices may be inconsistent. Real estate appraisers sometimes differ widely in their opinions of value. Appraisers, like buyers and sellers, do not know everything about the property, the market, or the many other considerations that might influence value. Differences sometimes result from a client presenting the property in a very positive or negative light, especially if there are no data to the contrary. Situations under which properties sell can vary depending on management of the property, various motives of the seller and buyer, information they may or may not have about the property, salesmanship, and numerous other reasons. An appraisal is only an opinion – a sale is a fact.

ADDENDUM 5

**CSXT APPRAISAL
MAPS OF RIGHT-OF-WAY**

Sketches of Fee Parcels Taken from CSX Plans

ON Station
 GN Station
 from Greenville, S.C. of Loc
 7.5 East on map by 0 00
 Track built 7.5 East on map by 0 00
 Located Line shown on map by 0 00
 and pluses refer to located by
 ICC Stationing indicated

This Railroad Valuation Map Exhibit Graphically Represents A
 Proposed Real Estate Transaction. It May Not Reflect Current
 "On The Ground" Conditions And / Or Actual Locations Of
 Features. All Dimensions, Offset Distances, Area Calculations
 And Measurement Notations, Shown On This Exhibit Are
 Approximate.

45007 0041
 3.05 ac.

WILLIAMSTON, S.C.

45007 0039
 1.01 ac.

45007 0040
 1.54 ac.

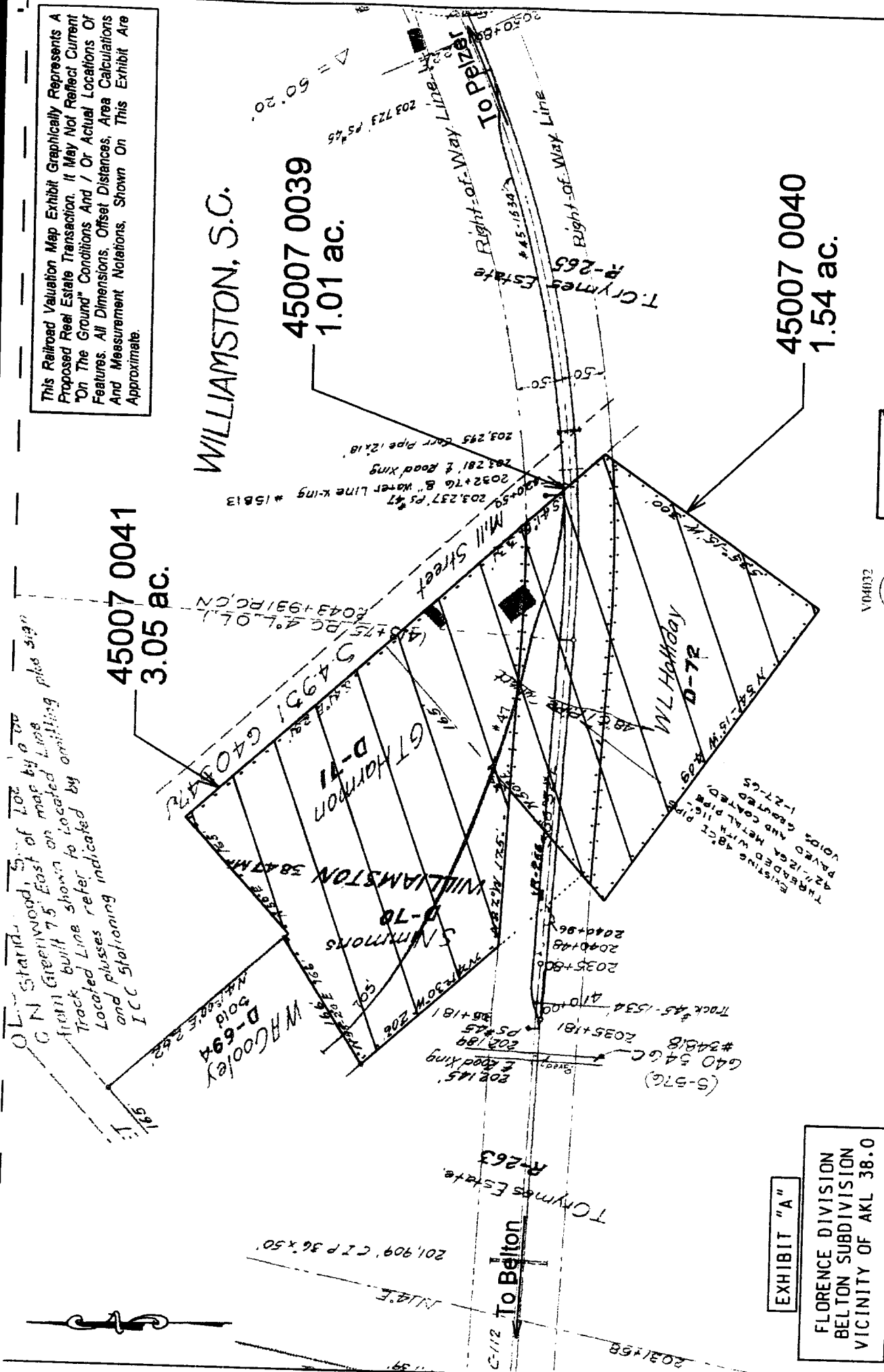


EXHIBIT "A"

FLORENCE DIVISION
 BELTON SUBDIVISION
 VICINITY OF AKL 38.0

= FEE TITLED PARCELS
 5.6 Acres



V04032
 VISC
 27

S:\PIN\SC45\SC007\ 007-0037\ SC-083-1002862\45007-0041.DGN

CSX TRANSPORTATION, INC.

SITE ID: SC-083-1002862

BELTON SUBDIVISION
 FEE TITLED PARCELS

DATE: 11-15-05
 SCALE: 1" = 150'

CITY: WILLIAMSTON
 STATE: SC

DRAWN BY: LF

REVISED:

VAL.	SECT.:	GIS NUMBERS:	PIN NUMBERS:
VISC	04032		45007-0039 45007-0040 45007-0041
MAP No:	27		
FIPS: 45007-0037			
DWG #: 45007-0041			

0.47 Acres

AFE 3240

160' BM-CBD

PT. (A.L.)
PT. CN

$\Delta = 25.00'$

School District #10
R-260

526.45E
Gusset Street

D-68
Lander

Lily G. R. Ransom
R-251

(394+811 P.C.G. 4. R.O.L.)
2019+992 P.C.G. CN

Sara Surah
R-258

2019+992 P.C.G. CN
R-259

2019+992 P.C.G. CN
R-257

R-257
Lily G. R. Ransom

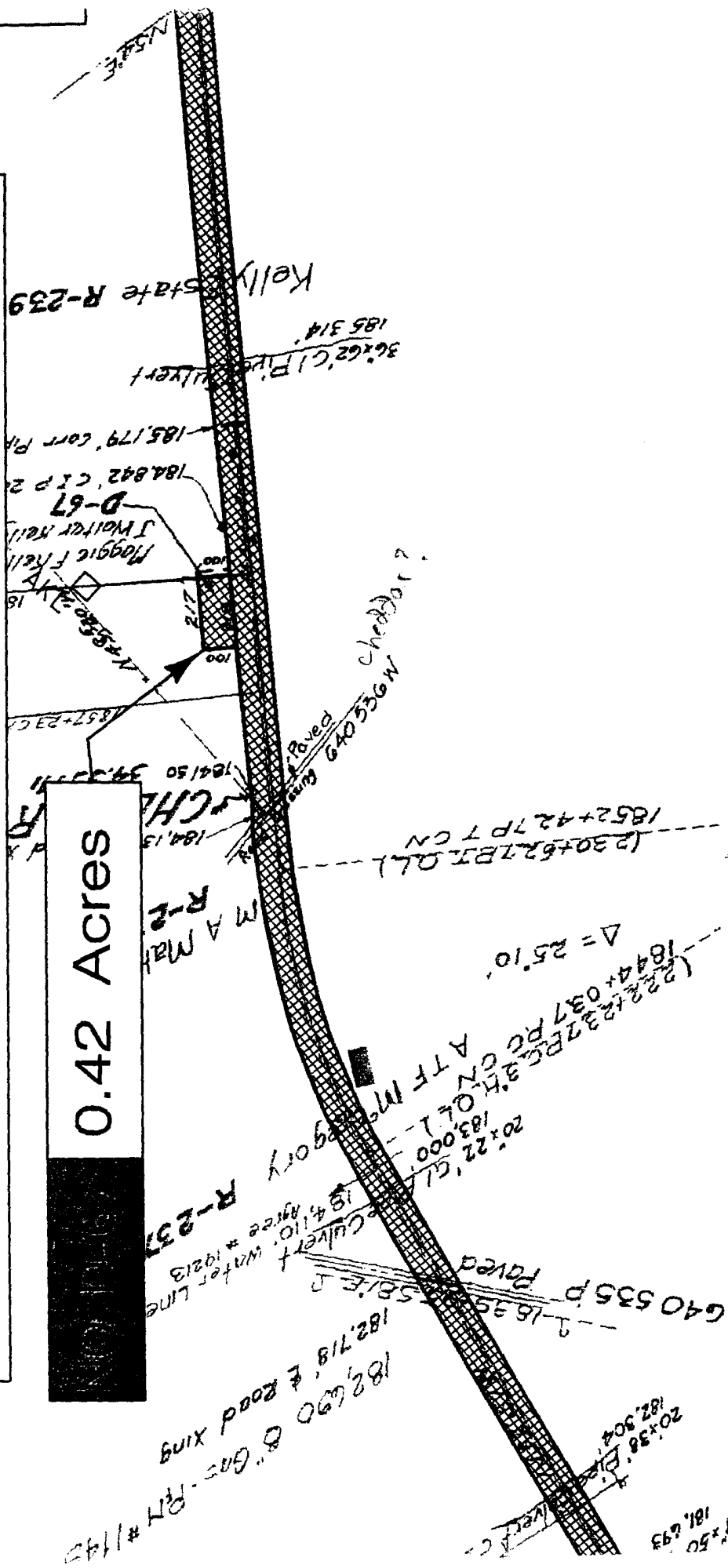
W. A. Hammond
R-256

Post

AKL 38

AKL 38

0.42 Acres





OTHER TITLE



LEASED TO CSX

2.02 Acre
3.99 Acre

DETERMINABLE FEE TITLE

0.26 Acres

0.09 Acres

0.16 Acres

0.40 Acres

0.83 Acres

0.59 Acres

31 AKL

Mrs Jessie Lewis (Exc)
Lewis Estate
R-157

Paved R

R-158-159-160

Right-of-Way Line

164.286'

1653+79

1651+102 PT
(30+052 PT)

Dr Parker
532 E 149
532 E 149

1646

1646

1646

1646

1646

1646

1646

Dr Stokes

R-156

163627 PS #34

163496 PS #34

163486 Cor Pipe 12"x6" on 34
12"x9" on 17

163345 Grading
3-4-101

640524 V

1645+24

557 1/2

1645+24

1645+24

1645+24

NOTE -

OL Stands for Original Location
CN Stands for Continuous Numeration
from Greenwood, SD

To Greenwood

163.135'

Match Mark see Sheet #215

1001 H26 AKL 31-G

SOLD

1645+24

557 1/2

1645+24

557 1/2

1645+24

557 1/2

1645+24

557 1/2

1645+24

557 1/2

1645+24

557 1/2

1645+24

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1645+24

557 1/2

1645+24

557 1/2

5 Acres

Acres

1.83 Acres

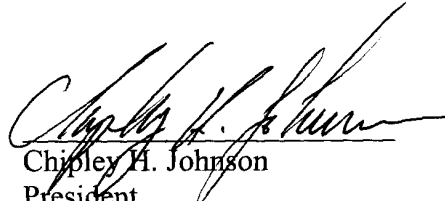
71ER. ABANDONE
UNDER AFE 226
DATED AUG 1981

PIEDMONT AND NORTHERN RAILWAY COMPANY

Shax 11

VERIFICATION

I, Chipley H. Johnson, declare and verify under penalty of perjury that the foregoing is true and correct to the best of my knowledge, information and belief. Further, I certify that I am qualified and authorized to file this Verification.



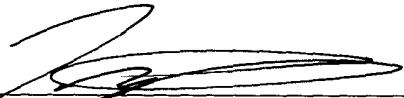
Chipley H. Johnson
President
Pickens Railway Company

Dated: June 7, 2006

CERTIFICATE OF SERVICE

The undersigned does hereby certify that a copy of Pickens Railway Company's Reply to Petition for Exemption, Finance Docket No. AB-55 (Sub-No. 664X) was served by U.S. mail on June 7, 2006 upon the following individual:

Louis E. Gitomer
Attorney at Law
118 Sunnymeadow Lane
Reisterstown, MD 21136



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Weiner Brodsky Sidman Kider PC
1300 19th Street, NW, 5th Floor
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(202) 628-2000 (tel)
(202) 628-2011 (fax)